



# Financial Management Report as of March 31, 2014

## AT A GLANCE:

The City of Kirkland's new GID browser launches (page 2 sidebar)

Most 2014 1st quarter revenues increased over 2013 (page 3)

Sales tax revenue growth continued into 2014, although at a slower rate than in 2013 (page 5)

In the wider economy inflation is low and the housing market continues to improve (pages 7-8)

## Inside this issue:

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## Summary of All Operating Funds: *Revenue*

- **General Fund** revenue ended the first quarter of 2014 **3.4 percent ahead** of the same period in 2013, an increase of \$579,000. Higher than budgeted revenues from sales tax and building, structural and equipment permits are primarily responsible for the increase in the General Fund. Revenues finished the first quarter at **22.5 percent of budget**, 25 percent of the way through the year. This is expected because most property tax revenue is collected in April. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- **Other General Government Funds** revenue finished the first quarter **15.8 percent higher** than in 2013, up \$609,000. Revenue is higher than in 2013 primarily because property tax revenue from the 2012 Streets and 2012 Parks levies was not collected and distributed to the relevant funds during the first quarter of 2013. Property tax distribution to these funds began in June 2013 for the first half of the year, and 2014 revenue is on track to be roughly the same as in 2013 by the end of June. Actual revenue for other operating funds was **18.0 percent** of budget. This percentage will rise significantly as more property tax revenue comes into the funds in April.
- **Water/Sewer Operating Fund** first quarter revenue was almost identical to 2013, **down 0.1 percent**. At the end of the first quarter, revenue was **23.1 percent of budgeted** revenue, which is the same percentage as in 2013.
- The **Surface Water Management Fund** revenues finished the first quarter of 2014 at **6.2 percent of budget**. Revenues during the first quarter of 2014 were **7.9 percent lower** than they were in 2013 because of a Department of Ecology grant received in 2013. Both residential and commercial surface water fees are collected through property tax, and will therefore be primarily received in the second and fourth quarters.
- First quarter revenue in the **Solid Waste Fund** was **25.2 percent of budget**. This is 9.5 percent higher than in 2013. First quarter revenue was higher across residential, commercial and multi-family properties. However, this is related to the timing of payments in 2014, and will even out during the year.
- Overall, in the first three months of 2014 utility funds revenues were **up 2.9 percent** compared to the same period last year, and finished the quarter at **20.6 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	17,123,987	17,703,346	3.4%	77,699,996	78,716,413	1.3%	22.0%	22.5%
Other General Gov't Operating Funds	3,840,105	4,448,751	15.8%	23,452,068	24,773,970	5.6%	16.4%	18.0%
<b>Total General Gov't Operating</b>	<b>20,964,092</b>	<b>22,152,096</b>	<b>5.7%</b>	<b>101,152,064</b>	<b>103,490,383</b>	<b>2.3%</b>	<b>20.7%</b>	<b>21.4%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	5,632,573	5,628,092	-0.1%	24,374,608	24,342,543	-0.1%	23.1%	23.1%
Surface Water Management Fund	636,747	586,545	-7.9%	9,224,823	9,460,539	2.6%	6.9%	6.2%
Solid Waste Fund	3,657,450	4,003,843	9.5%	15,954,564	15,875,727	-0.5%	22.9%	25.2%
<b>Total Utilities</b>	<b>9,926,771</b>	<b>10,218,480</b>	<b>2.9%</b>	<b>49,553,995</b>	<b>49,678,809</b>	<b>0.3%</b>	<b>20.0%</b>	<b>20.6%</b>
<b>Total All Operating Funds</b>	<b>30,890,863</b>	<b>32,370,576</b>	<b>4.8%</b>	<b>150,706,059</b>	<b>153,169,192</b>	<b>1.6%</b>	<b>20.5%</b>	<b>21.1%</b>



### Kirkland Maps Portal Makes Property Searches Fast and Easy

There's a new and improved way to find property, zoning, and utility information in Kirkland! In the first quarter of 2014 the City of Kirkland launched the new GIS map portal: Kirkland Maps - <http://maps.kirklandwa.gov> Kirkland Maps is a public mapping portal that allows the community to access, navigate to, and query selected data layers from the citywide GIS database and other sources. Using your computer, you can easily access the city's property, permitting, zoning and land use information, as well as utility, topographic, and sensitive areas information. You can also create a property report, apply for permits, pay utility bills, and print out maps.

The tool is linked to other City resources, such as [mybuildingpermit.com](http://mybuildingpermit.com), allowing you to view permit information across platforms and builds on Kirkland's existing resource the Capital Improvement Program (CIP) Interactive Map. The CIP map enables users to explore all existing or planned projects to learn status, details, funding and even communicate directly with the project's manager.

A mobile application allowing on the go access to all of the above is also coming soon!

What you can find on <http://maps.kirklandwa.gov>

- Street, topography, zoning maps
- Property information
- Permit history
- Parks, bus stops, fire station locations
- Transit and Kirkland snow/ice priority routes
- 2010 Census block, voting district and garbage/recycling collection information

## Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures finished the first quarter of 2014 **up 7.9 percent** from 2013. Actual expenditures finished the quarter at **24.3 percent of budget**. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were **up 10.9 percent** compared to the first quarter of 2013, mostly due to higher expenditures in the Information Technology and Parks Levy funds. The additional expenses in the Information Technology funds are related to personnel and significantly higher planned computer replacement costs in 2014. Parks Levy expenses were higher in the first quarter of 2014 because staffing costs in the fund did not begin until February 2013, and were low throughout the first quarter of 2013.
- **Water/Sewer Operating Fund** actual expenditures finished the quarter **9.8 percent higher** than in 2013. The majority of these additional expenditures were because the City paid two months metro sewer charge in January 2014, after not paying in December 2013. Therefore, the city effectively paid for four months during the first quarter of 2014. Expenditures at the end of March 2014 were **28 percent of budget**, largely because dues and memberships are paid in full in January, so this number will normalize as the year continues.
- **Surface Water Management Fund** expenditures at the end of March 2014 were **3.3 percent higher** than the same time in 2013, due to a small increase in personnel costs between years. Despite this increase there is still a vacancy in the Surface Water fund, which meant that first quarter expenditures were **lower than budgeted at 20.4 percent** of the yearly budget.
- **Solid Waste Fund** expenditures were **3.4 percent higher** during the first three months of 2014, compared to the same period in 2013. This increase is due to an expected increase in the cost of the waste disposal contract. As this increase was expected and all other expenses were also in line with budget, expenditure finished the first quarter of 2014 at **24.9 percent of budget**.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	17,393,951	18,765,029	7.9%	74,475,634	77,222,113	3.7%	23.4%	24.3%
Other General Gov't Operating Funds	4,330,542	4,801,832	10.9%	20,761,666	21,453,692	3.3%	20.9%	22.4%
<b>Total General Gov't Operating</b>	<b>21,724,494</b>	<b>23,566,861</b>	<b>8.5%</b>	<b>95,237,300</b>	<b>98,675,805</b>	<b>3.6%</b>	<b>22.8%</b>	<b>23.9%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	5,260,029	5,777,618	9.8%	20,909,022	20,601,544	-1.5%	25.2%	28.0%
Surface Water Management Fund	1,251,707	1,293,001	3.3%	6,546,354	6,353,316	-2.9%	19.1%	20.4%
Solid Waste Fund	3,779,557	3,908,664	3.4%	15,374,063	15,668,380	1.9%	24.6%	24.9%
<b>Total Utilities</b>	<b>10,291,293</b>	<b>10,979,283</b>	<b>6.7%</b>	<b>42,829,439</b>	<b>42,623,240</b>	<b>-0.5%</b>	<b>24.0%</b>	<b>25.8%</b>
<b>Total All Operating Funds</b>	<b>32,015,787</b>	<b>34,546,144</b>	<b>7.9%</b>	<b>138,066,739</b>	<b>141,299,045</b>	<b>2.3%</b>	<b>23.2%</b>	<b>24.4%</b>

## General Fund Revenue

- Sales tax** revenue allocated to the General Fund in the first quarter of 2014 was **7.4 percent higher** than it was during the same period of 2013. This was more than budgeted because sales tax is budgeted on a one year lag. **28.9 percent of budget** has been collected at the end of the first quarter. A detailed analysis of total sales tax revenue can be found starting on page 5.
- Property tax** finished the first quarter at **6.7 percent of budget**. Most property tax payments are receipted to the City in April and October, therefore this number will climb significantly during the second quarter of 2014.
- Utility tax** collections finished March 2014 **down 6.9 percent** compared to 2013. This is due to lower collections in water, sewer and solid waste taxes. However, utility tax collection is at expected levels based on the 2014 budget.
- Other taxes** actual revenue was **43.7 percent of budget** at the end of the first quarter of 2014. The \$469,000 was almost identical to the amount received in the first quarter of 2013 and is primarily from gambling tax revenues.
- The **revenue generating regulatory license fee** was **8.2 percent higher** than the first quarter of 2013. This increase means revenues were ahead of the budgeted amount at **28.8 percent of budget**. This tax is charged to employers on a per-employee basis, and fluctuates based on the timing of when businesses submit their payments, as well as the number of employees at each business, therefore a strong performance in the first quarter does not necessarily indicate that revenues through the year will be higher.
- The **business licenses (base fee) and franchise fees** were **4.2 percent** higher than the same period in 2013 and finished the quarter slightly **ahead of budget at 25.9 percent**.
- Development-related fee** revenues were collectively **up 11.8 percent** in the first quarter of 2014 because **Building Structural and Equipment permits** were **up 92.3 percent** following a large permit application for the Google expansion project received in January. All other development fees were down in the first quarter, compared to 2013. **Plan check fees** were **down 31.1 percent**, **Planning fees decreased 6.9 percent**, while **Engineering Services** collected **43.7 percent less** than in the same period in 2013. Despite this decrease, development related fee revenues were still ahead of budget for the quarter. Collectively **development fees** were at **31.8 percent of budget** at the end of the first quarter, with **Building, Structural and Equipment permits (42.7 percent)**, **Engineering Services (30.3 percent)**, and **Planning fees (31.3 percent)** all being ahead of budget with 25 percent of the year gone. Only **Plan Check fees** were behind with **14.6 percent of budget** collected.
- Fines and Forfeitures** were **down 6.9 percent** compared to 2013 and were **behind budget expectations at 19.7 percent**, due to low traffic infraction penalties. Traffic infraction penalties are not receipted in January, so the budget is collected in 11 months from February to December. Therefore this category will likely be close to budget by year end.
- Miscellaneous** revenue was **up \$136,000, or 118.4 percent** from 2013 and was **ahead of budget at 34.6 percent**, largely due to an insurance recovery payment in 2014.

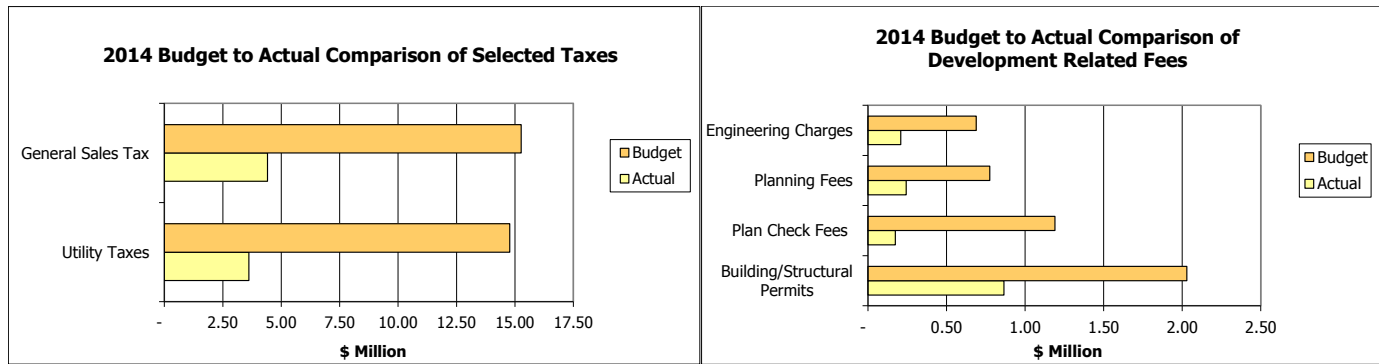
General Fund revenues ended the first quarter \$579,000 higher than in 2013 largely due to continued growth in sales tax, and development activity.

The General Fund is the largest of the General Government Operating funds. Primarily tax supported the fund accounts for services such as public safety, parks and recreation, and community development.

- Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.
- In 2014 about 428 of the City's 556 regular employees were budgeted within the general fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
<b>Taxes:</b>								
Retail Sales Tax: General	4,109,153	4,414,642	7.4%	15,057,904	15,263,571	1.4%	27.3%	28.9%
Retail Sales Tax Credit: Annexation	978,797	1,054,952	7.8%	3,415,626	3,415,626	0.0%	28.7%	30.9%
Retail Sales Tax: Criminal Justice	451,682	481,247	6.5%	1,634,287	1,666,973	2.0%	27.6%	28.9%
Property Tax	1,105,695	1,129,825	2.2%	16,619,200	16,953,959	2.0%	6.7%	6.7%
Utility Taxes	3,885,690	3,618,714	-6.9%	14,618,866	14,779,443	1.1%	26.6%	24.5%
Rev Generating Regulatory License	626,913	678,254	8.2%	2,328,005	2,351,285	1.0%	26.9%	28.8%
Other Taxes	469,147	469,097	0.0%	1,063,975	1,073,303	0.9%	44.1%	43.7%
<b>Total Taxes</b>	<b>11,627,077</b>	<b>11,846,732</b>	<b>1.9%</b>	<b>54,737,863</b>	<b>55,504,160</b>	<b>1.4%</b>	<b>21.2%</b>	<b>21.3%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	450,124	865,707	92.3%	2,013,727	2,029,631	0.8%	22.4%	42.7%
Business Licenses/Franchise Fees	1,070,228	1,114,872	4.2%	4,193,597	4,297,593	2.5%	25.5%	25.9%
Other Licenses & Permits	142,557	163,503	14.7%	317,128	327,848	3.4%	45.0%	49.9%
<b>Total Licenses &amp; Permits</b>	<b>1,662,909</b>	<b>2,144,082</b>	<b>28.9%</b>	<b>6,524,452</b>	<b>6,655,072</b>	<b>2.0%</b>	<b>25.5%</b>	<b>32.2%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	10,662	13,899	30.4%	198,622	54,421	-72.6%	5.4%	25.5%
State Shared Revenues & Entitlements	239,440	292,580	22.2%	1,033,781	1,237,172	19.7%	23.2%	23.6%
EMS	-	-	N/A	884,645	884,645	0.0%	N/A	N/A
<b>Total Intergovernmental</b>	<b>250,102</b>	<b>306,479</b>	<b>22.5%</b>	<b>2,117,048</b>	<b>2,176,238</b>	<b>2.8%</b>	<b>11.8%</b>	<b>14.1%</b>
<b>Charges for Services:</b>								
Internal Charges	1,322,621	1,273,223	-3.7%	5,396,481	5,717,970	6.0%	24.5%	22.3%
Engineering Services	371,043	208,880	-43.7%	951,385	689,483	-27.5%	39.0%	30.3%
Plan Check Fee	252,620	174,123	-31.1%	1,082,220	1,189,607	9.9%	23.3%	14.6%
Planning Fees	260,918	243,036	-6.9%	848,164	775,550	-8.6%	30.8%	31.3%
Recreation	360,817	402,560	11.6%	1,160,300	1,160,300	0.0%	31.1%	34.7%
Other Charges for Services	491,713	472,203	-4.0%	2,210,020	2,190,907	-0.9%	22.2%	21.6%
<b>Total Charges for Services</b>	<b>3,059,732</b>	<b>2,774,026</b>	<b>-9.3%</b>	<b>11,648,570</b>	<b>11,723,817</b>	<b>0.6%</b>	<b>26.3%</b>	<b>23.7%</b>
<b>Fines &amp; Forfeits</b>	<b>409,113</b>	<b>380,788</b>	<b>-6.9%</b>	<b>1,928,925</b>	<b>1,929,999</b>	<b>0.1%</b>	<b>21.2%</b>	<b>19.7%</b>
<b>Miscellaneous</b>	<b>115,053</b>	<b>251,239</b>	<b>118.4%</b>	<b>743,138</b>	<b>727,127</b>	<b>-2.2%</b>	<b>15.5%</b>	<b>34.6%</b>
<b>Total Revenues</b>	<b>17,123,987</b>	<b>17,703,346</b>	<b>3.4%</b>	<b>77,699,996</b>	<b>78,716,413</b>	<b>1.3%</b>	<b>22.0%</b>	<b>22.5%</b>
<b>Other Financing Sources:</b>								
Interfund Transfers	-	-	N/A	402,008	270,323	-32.8%	N/A	N/A
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>402,008</b>	<b>270,323</b>	<b>-32.8%</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Resources</b>	<b>17,123,987</b>	<b>17,703,346</b>	<b>3.4%</b>	<b>78,102,004</b>	<b>78,986,736</b>	<b>1.1%</b>	<b>21.9%</b>	<b>22.4%</b>

## General Fund Revenue *continued*



## General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
Non-Departmental	340,855	318,882	-6.4%	1,657,558	1,363,673	-17.7%	20.6%	23.4%
City Council	202,520	191,986	-5.2%	403,932	403,932	0.0%	50.1%	47.5%
City Manager's Office	415,714	486,043	16.9%	2,064,111	1,907,968	-7.6%	20.1%	25.5%
Municipal Court	520,616	542,601	4.2%	2,249,404	2,299,621	2.2%	23.1%	23.6%
Human Resources	312,937	326,604	4.4%	1,288,257	1,401,068	8.8%	24.3%	23.3%
City Attorney's Office	337,877	338,440	0.2%	1,371,489	1,384,479	0.9%	24.6%	24.4%
Parks & Community Services	1,578,310	1,675,176	6.1%	7,453,991	7,406,903	-0.6%	21.2%	22.6%
Public Works (Engineering)	993,690	1,100,949	10.8%	4,756,261	5,066,598	6.5%	20.9%	21.7%
Finance and Administration	1,055,399	1,265,490	19.9%	4,590,803	4,739,597	3.2%	23.0%	26.7%
Planning & Community Development	812,163	869,434	7.1%	3,731,209	3,641,676	-2.4%	21.8%	23.9%
Police	5,633,498	5,824,968	3.4%	22,804,767	24,478,109	7.3%	24.7%	23.8%
Fire & Building	5,190,372	5,824,456	12.2%	22,103,852	23,128,489	4.6%	23.5%	25.2%
<b>Total Expenditures</b>	<b>17,393,951</b>	<b>18,765,029</b>	<b>7.9%</b>	<b>74,475,634</b>	<b>77,222,113</b>	<b>3.7%</b>	<b>23.4%</b>	<b>24.3%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	877,831	622,200	-29.1%	11,513,698	3,656,808	-68.2%	7.6%	17.0%
<b>Total Other Financing Uses</b>	<b>877,831</b>	<b>622,200</b>	<b>-29.1%</b>	<b>11,513,698</b>	<b>3,656,808</b>	<b>-68.2%</b>	<b>7.6%</b>	<b>17.0%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>18,271,782</b>	<b>19,387,229</b>	<b>6.1%</b>	<b>85,989,332</b>	<b>80,878,921</b>	<b>-5.9%</b>	<b>21.2%</b>	<b>24.0%</b>

### Comparing 2014 and 2013 expenditures:

In the first quarter of 2014, excluding interfund transfers, General Fund expenditures were **7.9 percent higher** than 2013, although this increase was budgeted for as expenditures were **24.3 percent** of budgeted expenses.

Across the General Fund most of the \$1.37 million increase in expenditures were personnel related. A number of temporary as well as some ongoing positions were added during the 2013-14 Mid Biennial process, which makes up some of this increase, while normal personnel increases make up most of the rest. Together salaries and benefits have increased \$1.06 million. Significant expenditure changes are highlighted below, for departments not highlighted below increases were largely due to personnel costs.

First quarter 2014 General Fund actual expenditures (excluding "other financing uses") were 7.9 percent higher than they were in 2013.

- Expenditures for **Non-departmental** were **down 6.4 percent** largely due to a number of small decreases in categories such as Operating Supplies. These decreases are largely due to timing rather than structural change, and will likely even out as the year progresses. Non-Departmental finished the first quarter at **23.4 percent of budget**.
- Actual expenditures for the **City Council** increased finished the first quarter at **47.5 percent of budget**. This is because a most of the City's dues and memberships are paid from the Council budget, and these are paid in full in January. Expenditures were **5.2 percent lower** than in 2013 because of a one time membership dues paid in 2013.
- The **City Manager's Office** finished the first quarter of 2014 **16.9 percent higher** than in 2013. This is partly due to personnel costs, but also because of higher professional services spending in 2014, related to Kirkland 2035 efforts. This increase in expenses was anticipated so the City Manager's office finished the first quarter at **25.5 percent of budget**.

Continued on page 5



## Financial Management Report as of March 31, 2014

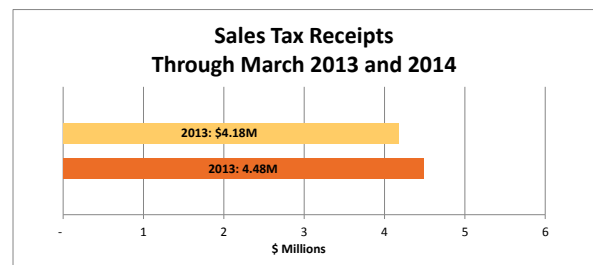
- **Public Works** General Fund expenditures were up **10.8 percent** due to new positions added in response to high demand for permit applications. These additional expenditures were budgeted for and have been offset by staffing vacancies, including the Maintenance Center Superintendent position, meaning Public Works finished the quarter at **21.7 percent of budget**.
- **Police** expenditures finished the first three months of 2013 at **23.8 percent of budget**. This is slightly below budget, with 25 percent of the year complete. However, the area with the lowest expenditures compared to budget is professional services, which is an area in which spending is not spent evenly throughout the year. Therefore savings in the first quarter do not indicate under expenditures will continue through the year.
- Expenditures for the **Fire & Building Department** grew **12.2 percent** over the first quarter of 2013. This increase is related to higher personnel costs as positions were added to deal with the increased workload from development services activities that has resulted in higher contract work and overtime costs (which are offset by revenues). The department's expenses finished the first quarter at **25.2 percent of budget**, with 25 percent of the year gone. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are dedicated to the consolidated fire station capital project.
- The budget for **Interfund transfers** is lower than in 2013, because there were a large number of transfers budgeted for the Public Safety Building in 2013. Not all transfers budgeted for the Public Safety Building in 2013 were made, so these will be made in 2014, pushing 2014 transfers over 100 percent of budget. As interfund transfers are known and planned expenses actual expenditures should equal 100 percent of budget by the end of the biennium.

Summary of Fire District 41 Funds	
2014 Revenues & Expenditures	
Beginning Balance	5,223,879
Investment Interest	\$ -
Expenditures:	\$ 4,893
<b>Current Balance</b>	<b>\$ 5,218,986</b>

### Sales Tax Revenue Analysis

The total in this section contains \$67,500 that is passed to the Street Operating Fund, therefore the total is \$67,500 higher than the sales tax figure in the General Fund Revenue table on page 3.

First quarter sales tax revenue was **7.3 percent** higher in 2014 than 2013. This growth in revenue was concentrated across the retail sales categories with vehicle sales making up the largest single increase. Sales tax revenue received through March is from sales between November 2013 –January 2014.



#### Review by business sectors:

- **Contracting is down 4.8 percent** through March compared to 2013. Contracting was among the largest growth sectors in the City through the first half of 2013, but slowed later in the year. A sharp decline in January 2014 meant the year started significantly below the 2013 number, but two months of moderate growth reduced the year-on-year decline by the end of the quarter.
- Sales tax from the retail sectors was collectively **up 7.3 percent** compared to 2013.
- The **auto/gas retail** sector was **up 7.8 percent** in the first quarter of 2014. Although auto sales continued to make up the largest increase in revenue across the quarter, sales slowed in March for the first time in two years.
- **General merchandise/miscellaneous retail** sector was **up 0.7 percent** in 2014 compared to 2013.
- The **retail eating/drinking** sector performance was **up 8.6 percent**, an increase of \$27,000, compared to the first quarter of 2013. Revenue increases can be attributed to many established restaurants posting improved sales along with the opening of some new businesses during the period analyzed.
- **Other retail** was **up 12.2 percent** compared to the same period last year due to strong increases in sales from building & garden stores, clothing, furniture, electronics and drug stores.
- The **services** sector was **up 4.8 percent** compared to 2013. Year-to-date sales in all services sectors were relatively close to the sales for 2013. The exception was publishing, where data from 2013 was skewed upward in the first quarter because a taxpayer paid multiple months at the same time last year.
- **Wholesale** was **down 3.3 percent** compared to last year, a decline of \$6,600. This was largely because of a number of sales of high end medical equipment in 2013, sales that are relatively infrequent. Outside of this category, this year's revenues have been strong and the difference between 2013 and 2014 sales tax revenue has been reduced as the quarter progressed.
- The **miscellaneous sector** was **up 59.0 percent** due to a large payment from an aviation company as well as increased revenues from the statewide pool made up of sales tax revenue submitted to the Department of Revenue but not appropriately coded.

# City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-March		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2013	2014			2013	2014	
Services	542,599	568,573	25,974	4.8%	13.0%	12.7%	8.5%
Contracting	696,617	662,844	(33,773)	-4.8%	16.7%	14.8%	-11.1%
Communications	107,761	125,905	18,144	16.8%	2.6%	2.8%	5.9%
Auto/Gas Retail	1,000,433	1,078,640	78,207	7.8%	24.0%	24.1%	25.6%
Gen Merch/Misc Retail	556,158	560,226	4,068	0.7%	13.3%	12.5%	1.3%
Retail Eating/Drinking	312,769	339,768	26,999	8.6%	7.5%	7.6%	8.8%
Other Retail	546,802	613,364	66,562	12.2%	13.1%	13.7%	21.8%
Wholesale	200,219	193,589	(6,630)	-3.3%	4.8%	4.3%	-2.2%
Miscellaneous	213,295	339,234	125,939	59.0%	5.1%	7.6%	41.2%
<b>Total</b>	<b>4,176,653</b>	<b>4,482,143</b>	<b>305,490</b>	<b>7.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2013 and 2014 sales tax receipts in the table to the left.

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

## City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		\$ Change	% Change
	2013	2014		
January	1,333,113	1,390,304	57,191	4.3%
February	1,618,028	1,800,690	182,662	11.3%
March	1,225,511	1,291,149	65,638	5.4%
<b>Total</b>	<b>4,176,652</b>	<b>4,482,143</b>	<b>305,491</b>	<b>7.3%</b>

- Monthly sales tax revenues continued to climb in the first quarter of 2014, with each month posting gains compared to the same month in 2013. However, the double digit gains that were seen the early part of 2013 have slowed considerably, with two months in the quarter posting gains below 6 percent.
- In **January** sales were down in a number of categories, but a large payment from an aviation company, along with strong growth in automotive and eating/drinking retail sales, ensured overall growth for the month.
- February** sales tax revenues were up compared to February 2013 in every category except wholesale. The largest increases were seen in automotive, other retail and contracting.
- In **March** growth continued across most categories, however, automotive sales posted their first decline for over two years.
- Smaller growth across most sectors has characterized first quarter sales tax revenue. The boom in revenues from contracting, auto retail and services has slowed and been replaced by growth in single digits across a number of sectors, particularly retail. This suggests that pent up demand for housing and cars following the recession is beginning to taper off and has been replaced by broader spending.

Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.

## Comparing to the same period last year:

**Totem Lake**, which accounted for 27.4 percent of the total sales tax receipts in the first quarter of 2014, was **down 1.6 percent** compared to 2013, or \$19,500.

However, this was due to a large

refund paid to a manufacturing business in 2014, without this sales in Totem Lake would be up 3.2 percent compared to 2013, due to continued growth in the auto/gas retail section, which made up 63.6 percent of the total sales in Totem Lake in the first quarter of 2014.

**NE 85<sup>th</sup> Street**, which made up 13.7 percent of the total sales tax receipts in the first quarter of 2014, was **up 6.5 percent** compared to the same period last year. This area's sales grew due to improving auto retail and general retail sales, which accounted for 91.1 percent of the growth in this neighborhood.

**Downtown**, which accounted for 6.8 percent of first quarter sales tax receipts in 2014, was **up 14.0 percent** largely due to the continued growth of information services revenues. Outside of this category the first quarter also saw continued growth in the retail eating/drinking category. In total retail businesses contributed about 63.1 percent of revenues from downtown. Overall, the

percentage of total sales tax revenues from businesses downtown has continued to increase in the first quarter of 2014.

**Carillon Point & Yarrow Bay**, which accounted for 1.7 percent of the total sales tax receipts in the first quarter of 2014, were **down 0.5 percent** compared to 2013. The decline was due to a decline in revenue from stores in the "other retail" category. Despite this overall decline there was growth in the retail eating and hotel/motel categories that make up 61.9 percent of total revenues from this area.

**Houghton & Bridle Trails**, which produced 2.5 percent of the total sales tax receipts during the first quarter, were **down 1.3 percent** due to a decline in sales at eating & drinking establishments.

**Juanita**, which generated 1.5 percent of the total first quarter sales tax receipts, was **up 11.2 percent** compared to the same period in 2013. Continued positive growth in eating & drinking revenues along with growth in miscellaneous retail stores combined with small increases in some other categories for a total increase of \$6,500.

**North Juanita, Kingsgate, & Finn Hill** accounted for 3 percent of the total sales tax receipts in the first three months of 2014 and were collectively **up 2.4 percent** over the first quarter of 2013. Overall growth in the Kingsgate and Finn Hill neighborhoods was offset by a decline in revenues from stores in the North Juanita neighborhood.

First quarter tax receipts by business district for 2013 and 2014 are compared in the table on the next page.

When reviewing sales tax receipts by business district, it's important to be aware that 47.9 percent of the revenue received in the first quarter of 2014 was in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - Mar Receipts		Dollar Change	Percent Change	Percent of Total	
	2013	2014			2013	2014
Totem Lake	1,245,532	1,225,998	(19,534)	-1.6%	29.8%	27.4%
NE 85th St	575,353	612,681	37,329	6.5%	13.8%	13.7%
Downtown	268,702	306,442	37,739	14.0%	6.4%	6.8%
Carillon Pt/Yarrow Bay	75,272	74,905	(367)	-0.5%	1.8%	1.7%
Houghton & Bridle Trails	113,708	112,243	(1,465)	-1.3%	2.7%	2.5%
Juanita	58,715	65,264	6,549	11.2%	1.4%	1.5%
Kingsgate	44,274	48,473	4,199	9.5%	1.1%	1.1%
North Juanita	61,399	60,102	(1,297)	-2.1%	1.5%	1.3%
Finn Hill	27,859	28,882	1,023	3.7%	0.7%	0.6%
Unassigned or No District:						
Contracting	695,980	662,403	(33,577)	-4.8%	16.7%	14.8%
Other	1,009,858	1,284,750	274,892	27.2%	28.8%	33.1%
<b>Total</b>	<b>4,176,652</b>	<b>4,482,143</b>	<b>305,491</b>	<b>7.3%</b>	<b>100.0%</b>	<b>100.0%</b>

- Sales Tax Revenue Outlook** Sales tax revenue in 2013 pushed revenue passed the 2007 peak of \$16.5 million and this growth continued into the first quarter of 2014 as sales tax revenues were higher in every month than they were during the same months of 2013. However, the 2013 and 2014 figures includes annexation area revenues, so pre-annexation City collections are still below where they were in 2007. Additionally, growth in 2013 was driven by a large growth in contracting and automotive sales, both of which were lower in at least one month in 2014 than they were in the same month in 2013. This suggests that the rate of growth has slowed, and as 2013 also saw strong growth it is likely that year on year growth will remain lower in 2014 than it was in 2013.

## OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the first quarter of 2014 was 7.7 percent, almost half the Puget Sound average of 14.6 percent, and below the same period in 2013's vacancy rate of 13.4 percent. Overall the Eastside has the third lowest vacancy rate in the Puget Sound region, behind Downtown Seattle and Tacoma/Fife with an office vacancy rate of 13.8 percent in the first quarter of 2014.

Overall vacancy rates in the Puget Sound region have fallen for the third straight quarter with net absorption totaling over 500,000 square feet.

The region currently has 3,067,094 SF of office space under construction, including 180,000 SF in Kirkland and the continued expansion of Amazon near their current South Lake Union headquarters.

## LODGING TAX REVENUE:

Lodging tax revenue fell slightly compared to 2013, finishing the first quarter down 4.8 percent, a decrease of \$2,100 which put revenues at 18.2 percent of budget.

**Economic Environment Update** The March update from the Washington State Economic and Revenue Forecast Council (ERFC) found the Washington economy added 12,400 net new jobs in the three months studied. Private, service-providing industries accounted for most of the job growth in November, December, and January, adding a net 10,100 jobs. The construction sector added 2,300 jobs but manufacturing was flat. Public sector payrolls added 1,800 jobs as growth at the state and local level outweighed a decline in federal employment. Washington employment also reached a major mile-stone, surpassing its pre-recession peak.

Consumer confidence continued to climb through the first quarter of 2014. The **Consumer Confidence Index** began the year at 80.7, fell slightly in February to 77.5 before rising to 82.3 in March. According to the Conference Board, "consumer confidence improved in March, as expectations for the short-term outlook bounced back from February's decline. While consumers were moderately more upbeat about future job prospects and the overall economy, they were less optimistic about income growth. Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam in the months ahead."

The U.S. **unemployment rate** for March 2014 was 6.7 percent, which was higher than the seasonally adjusted rate for Washington State, 6.3 percent. These rates are down from 7.5 percent nationally and 7.1 percent in Washington in March 2013. King County's provisional unemployment rate for March 2014 was 5.2 percent, up from 5.1 percent in March 2013. The unemployment rate in Kirkland was similar to King County rate of 5.3 percent in March 2014, up from 4.8 percent in March 2013. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Institute of Supply Management Western Washington Index continued to indicate positive growth in the first quarter of 2014. The index soared to 68.7 in February, the highest reading in two years, and, although it declined to 63.6 in March, remains strong. Index values above 50 indicate a healthy economy, something that has happened every month since July 2009.

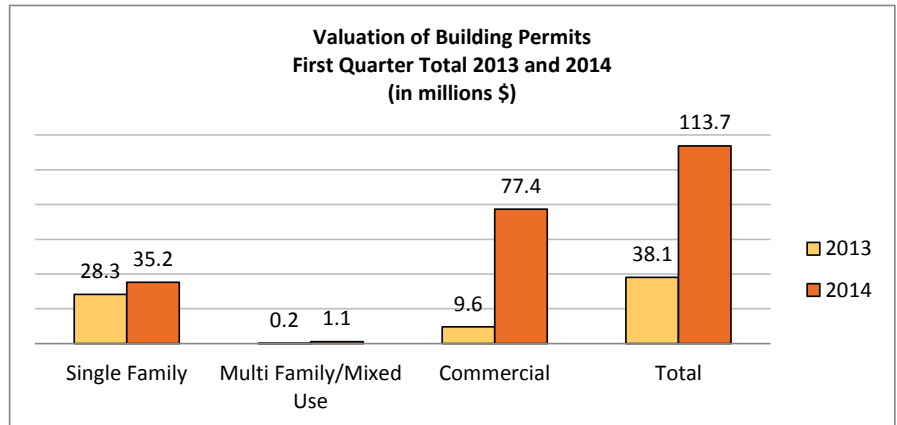
(Continued on page 8)

## Economic Environment Update *continued*

Local **development activity**, in terms of the valuation of the City's building permits for the first quarter of 2014, has risen significantly compared to 2013. This is illustrated in the chart to the right. Development activity has increased across the board, with a 24 percent increase in the value of single family permits, and a 550 percent increase in the value of multi family permits, although the overall dollar amount is still small. The largest percentage and overall dollar increase is in the commercial sector, as a number of large permits, including the Google expansion project, were paid in the first quarter of 2014.

Regional **home prices** continue to rise. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices have risen in each of the last 23 months and, as of January 2014, are now 11.9% higher than in the previous January. Even with the recent gains, Seattle area home prices are still 15.0% lower than their 2007 peak.

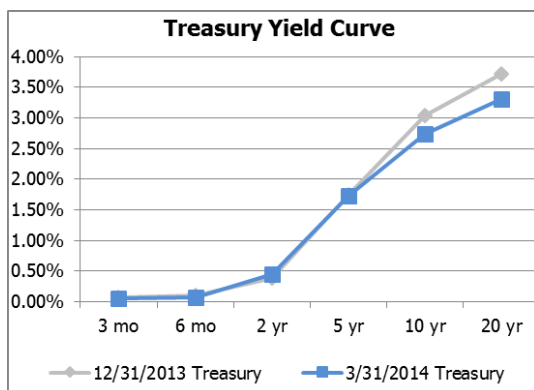
**Inflation** in the Seattle area remains low and in line with national trends. In February 2014, the Seattle all items CPI was 1.2% higher than in the previous February compared to the 1.1% increase for the U.S. city average. Core inflation in Seattle was 1.5% compared to 1.6% for the nation.



## Investment Report

### MARKET OVERVIEW

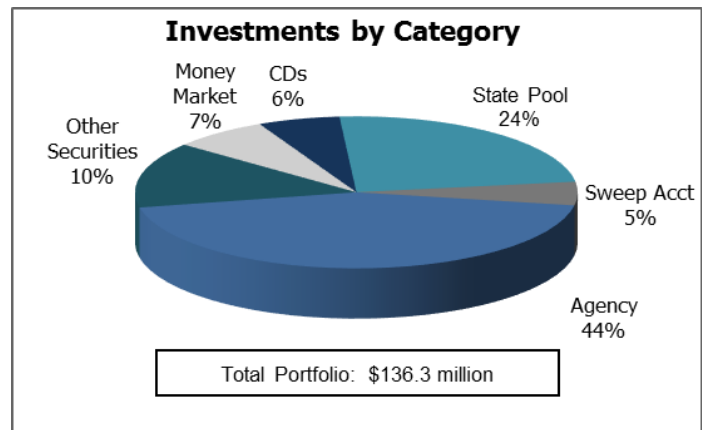
The economic growth remained at current low levels affected by poor weather in much of the country. The Fed Funds rate continued to remain at 0.25 percent, where it is expected to stay until mid-to-late 2015. The yield curve declined slightly in the long end of the curve and had little movement in the 5 year and under treasury rates.



### CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

The City's portfolio decreased in the 1st quarter of 2014 to \$136.3 million compared to \$144.9 million on December 31, 2013. The decrease in the portfolio is related to the normal cash flows of the first quarter, as the first half of property taxes is received at the end of April and to the construction costs of the Kirkland Justice Center.



### Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Government Obligations, State and Local Government bonds, Bank CDs, Money Market Account, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.



## 2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy looks stronger than that of three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.8 percent in 2014 and 3.1 percent in 2015. CPI inflation is expected to average 1.8 percent in 2014 and 2.20 percent in 2015. The unemployment rate is expected to average 6.5 percent in 2014 and fall to 6.1 percent in 2015. The Fed Funds rate, currently at 0.25%, is expected to remain at this level throughout 2014 and into 2015.

The duration of the portfolio remains slightly under 2 years with the purchase of longer term securities in the last quarter of 2012. Investment activity for next 2 quarters will be minimal, allowing the duration to decline as the securities move to maturity. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.11% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2014 is \$690,000.

## Investment Report *continued*

### Liquidity

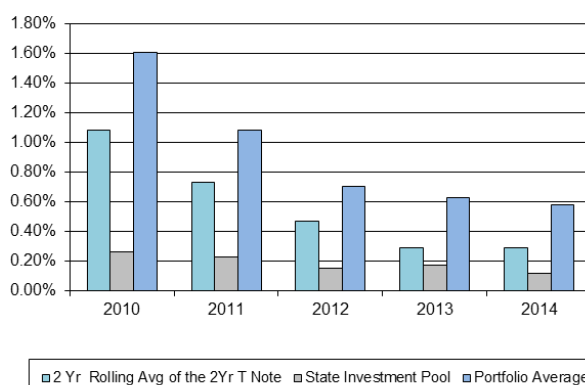
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.82 years on December 31, 2013 to 1.81 years on March 31, 2014 as the securities in the portfolio move closer to maturity.

### Yield

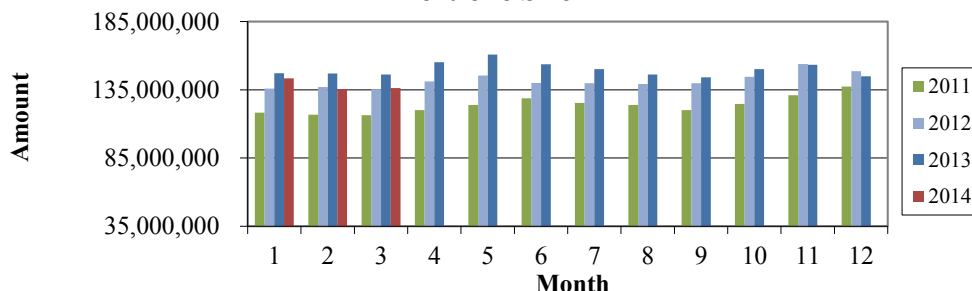
The City Portfolio yield to maturity remained unchanged at 0.59 percent on December 31, 2013 and March 31, 2014. Through March 31, 2013, the City's annual average yield to maturity also remained unchanged at 0.58 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.30 percent on March 31, 2014.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

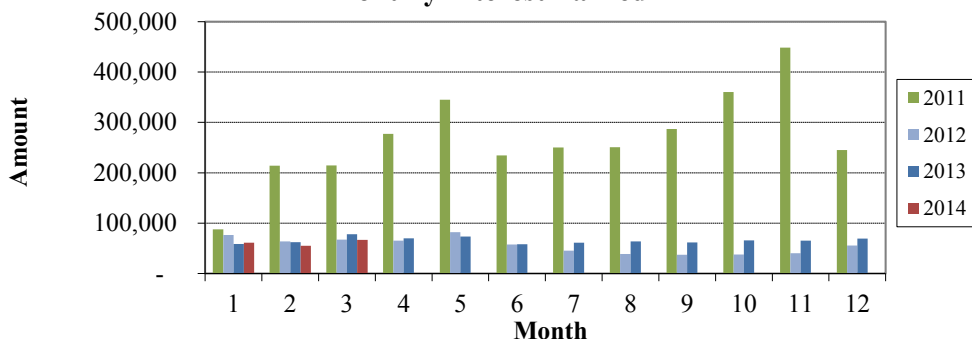
Investment Interest Rate Comparisons



### Portfolio Size



### Monthly Interest Earned



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves display budgeted beginning 2013 and ending 2014 balances, with changes caused by subsequent authorized uses or additions.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. Contributions have been made to replenish the reserves since then and with planned contributions in 2014, the reserve is expected to be at target by the end of 2014.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion is planned to be used during the current biennium, which will bring the reserve just slightly below target. Planned transfers have been delayed until 2014 due to the timing of funding needs for the Kirkland Justice Center Building.
- The **General Capital Contingency Reserve** was used to fund project cost increases in the previous biennium, so replenishment from General Fund 2012 year-end cash was planned in 2013. The recent use of \$820,000 of this reserve to provide funding for property acquisition for Totem Lake Park expansion has planned replenishment from King County Park Levy revenue over approximately 4 years.

### General Capital Reserves

- Real estate activity remains relatively strong in 2014, although below the same period in 2013. **Real Estate Excise Tax (REET)** collections are the year **25.5 percent behind 2013**. Revenue is still on trending above budget expectations at 32% of budget after the first quarter.
- Impact fees** are at about 67 percent of budget for both Park and Transportation. Park Impact fees are **17 percent below the same period last year**, while Transportation Impact fees are **about 18 percent ahead**. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. As with REET, the budgeted ending balance for Impact Fees will be reviewed at the end of 2014.

The City is in the process of completing several master plans this year, which likely will identify significant capital needs. The positive revenue performance above budget could be a source to help fund some of the newly identify capital projects.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	40,882	50,000	(9,118)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	156,372	250,000	(93,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,587	4,810,795	3,990,795	5,735,330	(1,744,535)
<b>General Purpose Reserves with Targets</b>	<b>11,363,999</b>	<b>13,311,752</b>	<b>12,460,634</b>	<b>17,598,322</b>	<b>(5,137,688)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,958	1,484,958	1,568,207	(83,249)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	2,933,824	1,071,000	1,862,824
REET 2**	2,284,826	2,319,112	1,975,800	2,225,500	(249,700)
Water/Sewer Operating Reserve:	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
<b>Other Reserves with Targets</b>	<b>15,580,000</b>	<b>17,820,944</b>	<b>15,903,944</b>	<b>10,748,551</b>	<b>5,155,393</b>
<b>Reserves without Targets</b>	<b>35,751,424</b>	<b>35,847,270</b>	<b>34,850,940</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>62,695,423</b>	<b>66,979,966</b>	<b>63,215,518</b>	<b>n/a</b>	<b>n/a</b>

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

\*\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013.

*The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.*

*General Purpose reserves are funded from general revenue and may be used for any general government function.*

*All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).*

*The summary to the right details all Council authorized uses and additions through March 2014*

### USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
<b>2013-14 Council Authorized Uses</b>		
2013 First Quarter Uses	\$302,000	
2013 Second Quarter Uses	\$626,319	
2013 Third Quarter Uses	\$489,981	
2013 Fourth Quarter Uses	\$1,103,451	NE 85th Street Corridor Project Budgets Gap
General Capital Contingency	\$820,000	Yuppie Pawn Shop Acquisition for Totem Lake Park
Real Estate Excise Tax 1 - Parks	\$500,000	Yuppie Pawn Shop Acquisition for Totem Lake Park
Real Estate Excise Tax 2 - Transp.	\$49,000	NE 112th Street Sidewalk
<b>2013-14 Council Authorized Additions</b>		
Real Estate Excise Tax 2 - Transp.	\$77,303	Return from NE 120th Street Extension (East)
Surface Water Transportation	\$49,000	Return from NE 112th Street Sidewalk

# Financial Management Report as of March 31, 2014

*General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.*

*Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.*

*General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.*

*Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.*

*Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.*

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(9,118)	40,882
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(22,000)	156,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
<b>Total General Fund/Contingency</b>		<b>8,677,412</b>	<b>8,500,957</b>	<b>(31,118)</b>	<b>8,469,839</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,187,020	0	1,187,020
Development Svcs. Technology Reserve	Permit system replacement	264,810	159,792	0	159,792
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,958	0	1,484,958
<b>Total Special Purpose Reserves</b>		<b>6,567,734</b>	<b>5,809,842</b>	<b>0</b>	<b>5,809,842</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,573,688)	2,933,824
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(343,312)	1,975,800
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	0	995,958
General Capital Contingency*	Changes to General capital projects	2,686,587	4,810,795	(820,000)	3,990,795
<b>Total General Capital Reserves</b>		<b>12,191,586</b>	<b>15,298,137</b>	<b>(2,737,000)</b>	<b>12,561,137</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(55,619)	4,524,610
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	1,485,091	(465,000)	1,020,091
<b>Total Utility Reserves</b>		<b>20,411,741</b>	<b>19,837,432</b>	<b>(520,619)</b>	<b>19,316,813</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
<b>Total Internal Service Fund Reserves</b>		<b>14,846,950</b>	<b>17,533,598</b>	<b>(475,711)</b>	<b>17,057,887</b>
<b>Grand Total</b>		<b>62,695,423</b>	<b>66,979,966</b>	<b>(3,764,448)</b>	<b>63,215,518</b>

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

\*\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.



The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual and year over year comparisons** for year-to-date revenues and expenditures for all operating funds.
- The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.
- Tracey Dunlap, Director of Finance & Administration
- Michael Olson, Deputy Director of Finance & Administration
- Neil Kruse, Senior Financial Analyst
- Kyle Butler, Budget Analyst
- George Dugdale, Budget Analyst



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- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department